

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05 L-03 /052 W

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R 270808Z JUN 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 3297

C O N F I D E N T I A L BUCHAREST 2887

E.O. 11652: GDS

TAGS: EAIR, RO

SUBJ: AVIATION: IMPLEMENTATION OF ARTICLE XIV OF BILATERAL
AIR AGREEMENT

1. SUMMARY. LOCAL PAN AM REP HAS REQUESTED USG INTERVENTION TO ATTEMPT TO SECURE ROMANIAN AGREEMENT FOR PAN AM TO MAKE DIRECT SALES OF AIR TRANSPORTATION IN LOCAL CURRENCY USING PAN AM DOCUMENTS. WE REQUEST DEPARTMENTAL AUTHORIZATION FOR CONSULTATIONS WITH GOR IN SUPPORT OF REMOVAL OF RESERVATION IN PARA 2 OF DECEMBER 4, 1973 SIDE LETTER TO AVIATION AGREEMENT. END SUMMARY.

2. IN REESTABLISHING PAN AM OPERATIONS TO ROMANIA, LOCAL REPRESENTATIVE BASSO HAS SOUGHT TO SECURE FULL ROMANIAN COMPLIANCE WITH OBLIGATIONS UNDER BILATERAL AIR AGREEMENT. BASSO, WHO HAS SUPPORT OF REGIONAL REPRESENTATIVE LOY IN THIS APPROACH, HAS TAKEN POSITION THAT IT ADVISABLE TO PLACE OPERATIONS HERE ON AS NORMAL COMMERCIAL FOOTING AS POSSIBLE IN ORDER TO BUILD SOUND BASIS FOR FUTURE OPERATION. AMBASSADOR HAS ENCOURAGED BASSO IN THIS APPROACH AND HAS OFFERED OUR ASSISTANCE.

3. GENERALLY BASSO'S EFFORTS HAVE PAID OFF. BY LOCAL STANDARDS HE HAS SECURED SATISFACTORY OFFICE SPACE, REASONABLE OPERATING SPACE AT AIRPORT, ADEQUATE STAFF, AND SATISFACTORY COMMUNICATIONS ARRANGEMENTS. HE HAS HAD NO DIFFICULTY
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IN SELLING TRANSPORTATION ON PAN AM TICKET STOCK FOR CON-

VERTIBLE CURRENCY AND YESTERDAY SOLD FIRST TICKET FOR LEI THROUGH TAROM.

4. WITH OUR ENCOURAGEMENT, BASSO RECENTLY PROPOSED TO TAROM THAT PAN AM BE PERMITTED TO ISSUE TICKETS FOR LOCAL CURRENCY ON PAN AM DOCUMENTS THROUGH MEDIUM OF MCO. BASSO'S REASONING, AND OUR OWN, WAS THAT 18 MONTHS AFTER SIGNING OF BILATERAL IT WAS APPROPRIATE TO TEST GOR'S WILLINGNESS TO ABANDON ITS RESERVATION IN PARA 2 OF SIDE LETTER OF BILATERAL AIR AGREEMENT. TAROM'S CHIEF OF COMMERCIAL SERVICE HAS REPLIED TO BASSO IN WRITING INDICATING THAT "FICTITIOUS M.C.O." PROCEDURE BASSO SUGGESTED QTE WOULD CONTRAVENE THE PROVISIONS TO THE ANNEX OF THE EXISTING AIR AGREEMENT UNQTE. TAROM FURTHER REAFFIRMED THAT SALES IN LEI ARE TO BE DONE THROUGH TAROM AGENCY. LETTER CONCLUDED BY STATING THAT QTE THE INTERPRETATION OF THE AVIATION AGREEMENT ... IS DONE BY THE CONTRACTING PARTIES IN ACCORDANCE WITH THE PROCEDURE AND IN THE TERMS STIPULATED IN ARTICLE XV UNQTE.

5. WE INTERPRET THIS REFERENCE TO ARTICLE XV AS CLEAR SIGNAL TO BASSO THAT TAROM WILL NOT RECOGNIZE PAN AM -- PROPERLY SO -- AS U.S. PARTY WITH WHICH IT MUST DEAL IN MATTERS RELATING TO SUBSTANCE OF AGREEMENT. WE ALSO JUDGE TAROM RESPONSE AS SUGGESTING THAT TAROM UNLIKELY TO BE WILLING TO DROP ITS SIDE LETTER RESERVATION.

6. BASSO HAS REQUESTED EMBASSY TO INTERVENE WITH GOR ON THIS ISSUE. AS INDICATED ABOVE, HE IS CONVINCED THAT TIME TO THRASH OUT PROBLEMS IS NOW BEFORE PAN AM HAS BUILT UP BUSINESS. LATER, HE REASONS, OPENING OF CONTENTIOUS ISSUES WILL JEOPARDIZE PAN AM'S POSITION.

7. IN EMBASSY VIEW THERE APPEARS TO BE SUFFICIENT CASE FOR OUR REQUESTING CONSULTATIONS TO PRESS FOR FULL ROMANIAN IMPLEMENTATION OF ARTICLE XIV. THROUGH USE OF PHRASE "AT THIS TIME" PARA 2 OF SIDE LETTER SEEMS TO IMPLY THAT GOR WOULD AT LATER JUNCTURE DROP ITS LIMITATION. MORE COMPELLING ARGUMENT IS CHANGED ECONOMIC SITUATION. TAROM, ENJOYING FULL ARTICLE XIV RIGHTS, IS NOW WELL ESTABLISHED ON NY RUN. WITH 35 PLUS CHARTERS AUTHORIZED DURING PEAK SEASON, TAROM
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APPEARS FROM BUCHAREST PERSPECTIVE TO ENJOY CONSIDERABLE COMMERCIAL ADVANTAGE. TIME THEREFORE SEEMS RIPE TO SEEK ELIMINATION OF SIDE LETTER RESTRICTION.

8. WE ARE UNDER NO ILLUSION AS TO PROBABLE GOR RESPONSE. GOR CONTINUES TO APPLY SAME RESTRICTIONS ON LOCAL CURRENCY SALES TO OTHER WESTERN CARRIERS. WE SHOULD, HOWEVER, MANIFEST OUR CONCERN AND PRESS GOR FOR DATE BY WHICH IT WILL

AGREE TO REMOVE SIDE LETTER RESTRICTION.

9. DEPARTMENT MAY WISH TO DISCUSS QUESTION WITH GROSSMAN OF PAN AM TO WHOM BASSO HAS OUTLINED HIS EXCHANGE WITH TAROM. BASSO'S OWN INCLINATION IS, BARRING SIGN OF PROGRESS, TO HAVE PAN AM EXERT PRESSURE ON TAROM BY REQUESTING CAB TO PUT REIN ON TAROM CHARTERS. WHETHER IN FACT HE WOULD ULTIMATELY MAKE THAT RECOMMENDATION (LET ALONE WHETHER PAN AM WOULD DO IT) MAY DEPEND ON HIS ABILITY TO INTEREST PAN AM IN COMPETING WITH TAROM FOR CHARTER BUSINESS. CURRENTLY HE IS NEGOTIATING WITH ROMANIAN TOURIST OFFICE FOR 40 CHARTERS NEXT YEAR, BUT HE HAS BEEN UNABLE ELICIT COMPETITIVE QUOTATION FROM PAN AM'S CHARTER UNIT.

10. ACTION REQUESTED: WE ASK DEPARTMENT TO APPROVE REQUEST TO GOR FOR CONSULTATIONS REGARDING IMPLEMENTATION OF ARTICLE XIV.
BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUCHAR02887
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750224-0023
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975067/aaaaafnp.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by BoyleJA>; APPROVED <22 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AVIATION: IMPLEMENTATION OF ARTICLE XIV OF BILATERAL AIR AGREEMENT
TAGS: EAIR, RO, PANAM
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006